

ATTACHMENT 1

CRS Report for Congress

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The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

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Summary

With passage of the FY2006 supplemental by both houses (H.R. 4939, P.L. 109-234), Congress has appropriated a total of about \$437 billion for military operations, base security, reconstruction, foreign aid, embassy costs, and veterans' health care for the three operations initiated since the 9/11 attacks: Operation Enduring Freedom (OEF) covering Afghanistan and other Global War on Terror (GWOT) operations, Operation Noble Eagle (ONE) providing enhanced security at military bases, and Operation Iraqi Freedom (OIF), Iraq.

The \$437 billion total does not include the \$50 billion "placeholder" figure for FY2007 war costs that is listed in the FY2007 budget. Although the Administration has not formally submitted its request, the House and Senate authorization bills (H.R. 5122/S. 2766) provide \$50 billion for war costs in specific accounts as does the House appropriations bill reported this week (no number yet). If that \$50 billion is enacted, war appropriations would total about \$487 billion, presumably covering part of FY2007's costs.

DOD has not provided Congress with the costs of these three operations. Of the \$437 billion appropriated through FY2006, CRS estimates that Iraq will receive about \$319 billion (73%), OEF \$88 billion (20%), and enhanced base security about \$26 billion (6%), with about \$4 billion that cannot be allocated based on available information (1%). About 91% of these funds are for DOD, about 8% are for foreign aid programs and embassy operations, about 1% is unallocated and less than 1% are for medical care for U.S. veterans of Iraq and Afghanistan.

On a monthly basis, DOD spent an average of about \$6.4 billion for OIF, \$1.3 billion for OEF, and \$180 million for enhanced base security in FY2005. Compared to FY2004, these averages are 28% higher for Iraq, 18% higher for OEF, and 33% lower for base security. During FY2006, these monthly spending levels may increase to about \$8.0 billion for OIF and \$1.5 billion for OEF.

Potential oversight issues for Congress include getting estimates of the cost to repair and replace war-worn equipment and of possible offsetting cuts to DOD's regular budget because equipment is being fixed or bought earlier than planned. Congress may also want to look at ways to improve war reporting and to evaluate DOD policy and contracting decisions that affect certain types of war support costs.

Based on an alternate path that assumes a drawdown from about 258,000 troops currently engaged in these operations to 74,000 in FY2010, CBO estimates that war costs could total \$371 billion between FY2007 and FY2016. Adding that amount to the \$437 billion with the FY2006 supplemental, total funding for Iraq and the GWOT could reach \$808 billion by 2016.

DOD's annual war funding rose from about \$73 billion in FY2004 to \$102 billion in FY2005, and may reach \$118 billion in FY2006 based on funds appropriated for this year. This report will be updated as warranted.

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The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

Introduction

Since the terrorist attacks of September 11, 2001, the United States has initiated three military operations:

- Operation Enduring Freedom (OEF) covering Afghanistan and other Global War on Terror (GWOT) operations ranging from the Philippines to Djibouti, that began immediately after the 9/11 attacks and continues;
- Operation Noble Eagle (ONE) providing enhanced security for U.S. military bases and other homeland security, that was launched in response to the attacks; and
- Operation Iraqi Freedom (OIF) that began in the fall of 2002 with the build up of troops for the March 2003 invasion of Iraq and continues with counter-insurgency and stability operations.

In the fifth year of operations since the 9/11 attacks, there is considerable interest in Congress about the cost of each operation to date as well as the scope and duration of future costs. In congressional hearings, the Department of Defense (DOD) has typically provided estimates of the current or average monthly costs over a period of time for military operations, referred to as the “burn rate.” While this figure covers some of the costs of war, it excludes the cost of upgrading or replacing military equipment and of improving or building facilities overseas, and it does not cover all funds appropriated.

Beginning in 2004, Congress required the Defense Department to report on April 1 and October 31 of each year the cumulative and most recent cost of OIF and OEF. Although this reporting requirement was included in three separate statutes (Sec. 1120, P.L. 108-106, Section 9010, P.L. 108-287, and Sec. 1024, P.L. 109-13), DOD has not yet submitted the report. Two of these statutes also required that DOD send Congress estimates of costs for the next 12 months and for the period, FY2006-FY2011.

DOD has a financial system that tracks funds for each operation once they are obligated — as pay or contractual costs — but has not yet submitted the semiannual reports with cumulative and current obligations for OIF and OEF, or estimates for the next year, or for the next five years that are required by statute.¹

¹ CRS contact with Pentagon official in May 2006. For war reporting requirements, see Sec. (continued...)

Key War Cost Questions

Because the Administration has not provided estimates, CRS used DOD's financial reports and other sources to estimate the total cost of OIF, OEF, and enhanced security in order to address the following frequently asked questions:

- How much has Congress appropriated for each of the three missions since the 9/11 attacks — Operation Iraqi Freedom (Iraq), Operation Enduring Freedom (Afghanistan and other Global War on Terror operations), and Operation Noble Eagle (enhanced security for defense bases) for defense, foreign operations, and related VA medical care?
- How much has DOD obligated on average per month for each of the three missions each year?
- What do trends in costs tell us about likely spending levels in the future?

Major Unknowns

This report also discusses several areas that Congress may wish to pursue because information is limited and the cost effect is significant.

- What is the estimated cost to reset — repair and replace war-worn equipment — and how might that funding affect DOD's regular or baseline budget?
- How are some types of war costs affected by policy and contracting decisions as well as operational needs and troop levels?
- How have deployed troop levels changed since the 9/11 attacks and how could Congress get accurate information on past and future troop levels?
- What is the average cost per deployed troop for OIF and OEF, and how might that cost affect future war costs?
- What are estimates of future war costs?

¹ (...continued)

1120, P.L. 108-106, Section 9010, P.L. 108-287, and Sec. 1024, P.L. 109-13, which also required an estimate of the "reasonably foreseeable costs for ongoing military operations ... for the next 12 months." Section 9012, P.L. 108-287 required an estimate for FY2006-FY2011 or a written certification from the President that national security reasons made that impossible; the Administration sent a letter from Director of OMB Joshua B. Bolten to Speaker of the House J. Dennis Hastert on May 13, 2005, saying an estimate was not possible but the President did not submit a national security waiver.

- How might Congress improve current reporting of war costs to get accurate and complete information to be used to assess current and future requests?

Answers to these questions could help Congress compare war spending to other spending, assess current requests, and project future costs.

War Funding in Total and By Operation

With passage of the FY2006 supplemental (H.R. 4939, H.Rept. 109-494, P.L.109-234), war-related appropriations would total about \$436.8 billion for OIF, OEF, and enhanced security to the Department of Defense, the State Department, and the Department of Veterans Affairs (VA). This total includes the FY2006 bridge fund (H.R. 2863/P.L. 109-148) and the FY2006 supplemental request (H.R. listed in the Administration's budget but not yet formally submitted).² The House and Senate authorization bills (H.R. 5122/S. 2766) specify how the \$50 billion would be allocated as does the House-reported DOD appropriations bill (no. number yet). If that \$50 billion is enacted, war appropriations would total \$487 billion presumably covering part of the cost in FY2007.

War Appropriations: FY2001-FY2006

The total cost for all three operations — Iraq, Afghanistan, and other GWOT and enhanced security — has risen steeply since the 9/11 attacks primarily because of higher DOD spending in Iraq. Annual war appropriations more than doubled from about \$31 billion in FY2001/FY2002 to between \$74 and \$81 billion with the preparation for and invasion of Iraq in FY2003.³ By FY2004, annual war funding had trebled over the FY2002 level to \$94 billion (see **Table 1**).

By FY2005, annual war-related appropriations increased to \$107 billion. If the FY2006 supplemental request is approved, annual funding will have risen from \$31 billion in FY2001/2002 — dedicated primarily to U.S. operations in Afghanistan — to \$122 billion in FY2006 for the continuation of Iraq and Operation Enduring

² The range included in **Table 1** reflects that it is not clear whether DOD spent \$7.1 billion designated for GWOT in its regular FY2003 appropriations on war costs, a conclusion reached by both CRS and GAO (see "Oversight Options for War Reporting," below). Totals include funds appropriated in both regular and supplemental appropriation bills and \$8.6 billion in DOD funds transferred from its baseline accounts for GWOT needs; these funds were available primarily because scheduled troop training or equipment repair was postponed since units were deployed, programs were executing slower than anticipated, or GWOT needs were considered higher priority; CRS calculation of transfers from listings on DOD website [<http://www.defenselink.mil/comptroller/budgetexec.html>].

³ The range is with and without about \$7.1 billion in DOD funds that CRS and GAO could not track.

Freedom and enhanced DOD security, a fourfold increase since the first year of operations (see **Table 1**).

**Table 1. War-Related Funding, Total and By Operation:
FY2001/FY2002-FY2006 Supplemental**
(in billions of dollars of budget authority)

Fiscal Year & Agency	FY01 & FY02	FY03	FY04^b	FY05^b	FY06 Total including FY2006 supp conf. (H.R. 4939)^c	Cum.: FY01-FY06^c
Defense	30.8	70.3 to 77.4 ^a	72.6	102.5	117.6	393.9 to 401.0 ^{ac}
State/AID	0.6	3.8	21.7	4.8	4.2	35.1
Veterans Affairs	0	0	0	0	0.7	0.7
Budget Authority	31.4	74.1 to 81.2^a	94.3	107.2	122.2	429.7 to 436.8^{ac}
BY OPERATION: IRAQ, OPERATION ENDURING FREEDOM (OEF) AND ENHANCED SECURITY^e						
IRAQ	2.5 ^d	51.0	77.3	87.3	100.4	318.5
OEF	18.1	17.0	15.1	18.1	19.9	88.2
ENHANCED SECURITY	12.0	6.5	3.7	2.1	1.9	26.2
UNABLE TO ALLOCATE	0	3.9 ^{ad}	0	0	0	3.9

Notes and Sources: NA= Not Applicable. Numbers may not add due to rounding. Year-by-year totals may not be consistent due to discrepancies and gaps in DOD data.

a. Range shows amounts with and without the \$7.1B in DOD's regular FY2003 appropriations (P.L. 107-48) that may or may have been spent for war and GWOT. CRS calculations based on public laws and transferred funds listed in **Table A1** in the appendix.

b. Of the \$24.9 billion provided in Title IX of the FY2005 DOD appropriations bill, CRS included \$1.86B in FY2004 because it was obligated that year and the remaining \$23 billion in FY2005. Because Congress made the funds available in FY2004, they are formally scored by CBO and OMB as FY2004 monies.

c. Includes funds through the FY2006 supplemental conference bill, H.R. 4939.

d. Amount shown in DOD table but source of funds unclear; funds were used for initial buildup of troops before Iraq invasion.

e. For distribution of funds by agency, see **Table 3**.

The \$437 billion in **Table 1** for appropriations through the FY2006 Supplemental conference is divided as follows:

- \$397 billion, or about 92%, for military operations and support, and equipment and facilities for the Department of Defense;

- \$35 billion, or about 8%, for reconstruction, embassy costs;
- \$4 billion in DOD funds that cannot be allocated or about 1%; and
- \$700 million, or less than 1%, for the VA for medical care for veterans of these operations.

(For the distribution of funds by agency, see **Table 3**. For a detailed listing of war-related appropriations by public law, see **Table A1**.)

The enacted version of FY2006 supplemental bill — H.R. 4939/P.L.109-234 — includes \$69.0 billion for military operations, foreign aid programs, and embassy operations for Iraq and Afghanistan and other GWOT — \$2.2 billion below the request. H.R. 4939 was passed by the House on June 13, 2006 and by the Senate on June 15th and signed by the president the same day.

DOD's funding covers the cost of special pays, military operations and support of deployed personnel, repairing and buying equipment, building and improving military facilities overseas, training Afghan and Iraqi security forces, and providing enhanced security at DOD bases. The remainder was provided in regular defense bills or in transfers from regular appropriations.⁴ All funds were either categorized as emergency funding or were otherwise exempted from ceilings applying to discretionary spending in Congress's annual budget resolutions.⁵ Some members have argued that continuing to fund ongoing operations in supplementals reduces Congressional oversight and makes less apparent the likely effect of this spending on the budget deficit.

Through the FY2006 supplemental, the State Department and USAID have together would receive about \$35 billion for Iraq and Afghanistan for reconstruction, embassy operations and construction, and various foreign aid programs in regular and supplemental appropriation acts.⁶

How DOD's War Costs Evolve

What makes war costs change? Changes in war costs reflect a variety of factors that result from the situation on the ground faced by U.S. troops, policy plans and decisions, and external factors, such as the price of oil. Important war cost drivers are:

⁴ These funds were characterized as "additional appropriations," and put in a separate title of DOD's regular appropriation bill. For discussion of using regular vs. supplemental appropriations for war funding, see CRS Report RL32924, *Defense: FY2006 Authorization and Appropriations*, by Stephen Daggett.

⁵ Title IX of P.L. 108-287 and P.L. 109-13, DOD's regular FY2005 and FY2006 appropriations acts, included these bridge funds; the budget resolutions in FY2005 and FY2006 exempted up to \$50 billion in overseas contingency operations funds from budget controls (see Section 403, H.Con.Res. 95 (FY2005) and Sec. 402, S.Con.Res. 95 (FY2006)).

⁶ Funds for foreign operations activities are managed by both the State Department and USAID, which handles most U.S. development assistance programs. Figures on these programs were provided by CRS analyst, Larry Nowels.

- the number of troops deployed or anticipated to deploy;
- changes in the pace of operations or optempo;
- changes in the amount of equipment and number of personnel to be transported to the theater of operations and the type and level of various other support for troops;
- how quickly equipment breaks down and the extent and pace of replacing and upgrading equipment; and
- military basing plans that underlie construction requests.

To see trends by types of DOD costs, **Table 2** shows changes in the budget authority (BA) provided by Congress since FY2003 by title ranging from military personnel to construction. (CRS could not break out figures for FY2001/FY2002 appropriations by title because most of the funds were allocated and spent from the Defense Emergency Response Fund rather than traditional appropriation accounts.) Between FY2004 and FY2006, BA for Operations & Maintenance (O&M) is slated to grow from \$42.7 billion to \$60.9 billion while procurement BA increases from \$7.2 billion to \$22.9 billion.

Some of the reasons for higher operating costs are known. For example, higher operating costs reflect:

- the purchase of more body armor for troops (using O&M funds);
- the jump in oil prices;
- the coming due of maintenance bills as equipment wears; and
- the inclusion of funds to train and equip Afghan and Iraq forces that was previously carried in foreign operations accounts.

These factors, however, are not enough to explain a 50% increase of over \$20 billion in operating costs.

Since FY2004, the rise in investment costs has been dramatic — a more than threefold increase since FY2003 with BA rising from \$7.2 billion in FY2003 to \$24.4 billion in FY2006. Including the FY2006 supplemental bill, DOD will have received about \$60 billion in war-related procurement funds since the 9/11 attacks (see **Table 2**).

The upsurge in war-related investment costs reflects:

- a push by both DOD and Congress to provide more force protection equipment and increase situational awareness (e.g., uparmored High Mobility Multipurpose Wheeled Vehicles (HMMWVs), radios, sensors, night-vision goggles);
- a decision to temporarily fund equipment for new Army and Marine Corps units, known as modularity or restructuring;
- the growing bill to rebuild or replace damaged equipment, a process known as reset; and
- the building of more extensive infrastructure to support troops and equipment in and around Iraq and Afghanistan.

Table 2. DOD War Budget Authority By Title: FY2003-FY2006 Supplemental
(in billions of dollars)

Title	FY2003 ^a	FY2004	FY2005	FY2006 Bridge and Supp. Conf. ^a	Cumul. Total thru FY2006
Military Personnel	15.9	17.9	17.7 ^b	16.5	68.0
Operation & Maintenance/Health/Other ^c	42.9 to 46.5	42.7	49.3	60.9	195.8 to 199.4
Afghan Sec. Forces Training	0.0	0.0	1.3	1.9	3.2
Iraq Security Forces Training ^d	0.0	[5.100]	5.7	3.0	8.7
Natural Resources Remediation Fund (NRRF) ^e	0.8	0.0	0.0	0.0	0.8
Joint Improvised Explosive Device Defeat Fund ^b	0.0	0.0	0.0	2.0	2.0
Working Capital Fund/National Sealift Fund ^f	0.8 to 1.1	1.6	2.1	3.0	7.5 to 7.8
Procurement	7.7 to 9.5	7.2	20.9	22.9	58.7 to 60.5
Research, Dev., Testing & Evaluation	1.1 to 2.4	0.4	0.7	0.8	3.0 to 4.3
Military Construction	0.2 to 0.9	0.5	1.1	0.2	2.1 to 2.8
Iraqi Freedom Fund (IFF) ^g	[15.7]	2.0	3.8	4.6	10.3
Enhanced security in FY2006 base budget (estimate)	NA	NA	NA	1.9	1.9
Total	70.1 to 77.2	72.3	102.5	117.7	360.7 to 367.8

Notes and Sources:

- a. P.L.109-148 is FY2006 bridge fund and P.L.109-234 is FY2006 supplemental. Range for FY2003 shows funds from DOD FY2003 appropriations bill that may not have been tracked in DOD's war cost finance system. Cumulative total includes \$7.1 billion. CRS allocated the \$15.7 billion provided in the Iraqi Freedom Fund, by title based on notifications to Congressional defense committees; includes a \$3.5 billion rescission enacted the following year. Includes funds provided in supplemental and regular appropriations acts plus transfers of DOD funds from baseline funds to GWOT after enactment; excludes the \$30 billion appropriated in FY2001 and FY2002 primarily in the Defense Emergency Response Fund (DERF) rather than regular accounts. Includes both FY2006 Title IX bridge funds and the FY2006 Supplemental request. Includes estimate of \$1.9 billion in DOD's baseline budget for ONE, which was formerly funded in supplementals.
- b. Congressional report language permitted DOD to use \$2.1 billion of military personnel funds and \$802 million in O&M funds in the FY2005 supplemental funds to 'restore' funds transferred from DOD's baseline accounts earlier in the year (H.Rept. 109-72, p.100); CRS reduced transfers to reflect restorals.
- c. "Other" includes counterdrug and Office of Inspector General funds.
- d. Funding for training that was provided to the State Department is shown in brackets, and not included in DOD totals.
- e. NRRF was set up in the FY2003 Supplemental (P.L. 108-11) to fund anticipated damage to Iraq's oil facilities.
- f. Working capital funds finance unanticipated increases in support costs such as fuel.
- g. In some years, Congress included national intelligence funds in the IFF, as well as smaller amounts, which DOD could transfer to where it was needed.

These reasons are not sufficient, however, to explain the level of increases or predict whether these procurement levels are temporary or likely to rise still further. DOD has provided little information about overall requirements to replace worn equipment or to upgrade capabilities, or how war requirements relate to ongoing peacetime investment.

Estimates for Iraq and Afghanistan and Other Operations

How much has Congress provided for each of the three operations launched since the 9/11 attacks—Iraq, Afghanistan and other GWOT, and enhanced security? Using a variety of sources and methods, CRS estimated the distribution of war-related funds appropriated for defense, foreign operations, and VA medical costs from the 9/11 attacks through the FY2006 supplemental request (see **Table 3**).

The FY2006 supplemental included \$65.9 billion for DOD and \$3.1 billion in foreign and diplomatic operations funds for Iraq and Afghanistan, some \$2.3 billion below the request. (CRS did not include funds requested for Iran, Darfur, Pakistan or Liberia.)

With passage of the FY2006 supplemental bill (H.R. 4939), CRS estimates that the \$437 billion in cumulative war-related appropriations would be split as follows

- \$319 billion for Iraq (or 73%);
- \$88 billion for Afghanistan (or 20%);
- \$26 billion for enhanced security (6%); and
- \$4 billion unallocated (1%) (see **Table 3**).

For additional information on the FY2006 supplemental request, see CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Katrina Hurricane Relief*, coordinated by Paul M. Irwin and Larry Nowels.

Since the 9/11 attacks, DOD's costs have shifted with sharp increases for Iraq since the invasion in 2003, fairly stable costs for OEF in later years, and sharp decreases for enhanced security. Foreign operations costs peak in FY2004 with the \$20 billion appropriated for Iraq reconstruction and decline thereafter to about \$3 billion to \$4 billion a year. This section discusses trends for each mission including not only DOD costs but also foreign operations and VA medical costs (see **Table 4**).

Trends in Iraq. *What is the total cost of the war in Iraq to date and how has funding changed over time?* CRS estimates that Iraq will receive appropriations totaling about \$318.5 billion if the FY2006 supplemental conference bill (H.R. 4939) is approved. From the initial \$2.5 billion tapped from previous appropriations to prepare for the invasion, Iraq costs may rise to \$100.4 billion in FY2006 to continue

current military operations, foreign aid programs, embassy support, and VA benefits.⁷

In FY2003, the year of the invasion, funding for Iraq reached \$51 billion and rose by over 50% to almost \$77 billion in FY2004 including almost \$20 billion for reconstruction. By the next year, funding for Iraq grew to \$87 billion, reflecting a \$27 billion increase in DOD costs due to the continued intensity of U.S. military operations in the face of insurgent attacks, a trebling of investment funds to upgrade equipment and add force protection, plus \$5.7 billion to train Iraqi forces.⁸ Increases for DOD more than offset the steep drop in foreign operations funds from \$19.5 billion to \$2 billion. Including the FY2006 supplemental funds, the total for Iraq in FY2006 may reach \$100 billion, about 30 percent above the amount in FY2004, two years earlier (see **Table 3**).

Trends in Operation Enduring Freedom. *What is the total cost to date for Afghanistan and other Global War on Terror Operations and how has that changed over time?* The cost for Afghanistan and other GWOT operations peaked at \$18 billion in the first full year of operations.⁹ Since then, OEF costs dropped to \$17 billion in FY2003 and \$15 billion in FY2004.

In FY2005 and FY2006, costs are likely to rise to \$18 billion to \$20 billion per year because of higher troop levels, the cost to train Afghan forces, and a portion of the cost to equip new modular units.¹⁰

Trends in Enhanced Security. *How has the cost of Operation Noble Eagle or enhanced security for DOD bases changed since 9/11?* Funding for enhanced base security and other costs halved from the \$12 billion available in the first year to \$6.5 billion in FY2003 as one-time costs like Pentagon reconstruction (\$1.3 billion) and some security upgrades were completed, and as DOD scaled back combat air patrol (about \$1.3 billion for around-the-clock coverage) and the number of reservists guarding bases.¹¹

⁷ This initial funding generated controversy in 2004 because it appears that few in Congress were aware that DOD used \$2.5 billion from funding appropriated before the resolution authorizing the use of force was passed. A note in a DOD table listing monthly obligations for Iraq from the FY2003 and FY2004 supplementals stated that an additional \$2.5 billion for Iraq was available from "prior year funds" (presumably P.L. 107-38, P.L. 107-117, or P.L. 107-206, the previous two supplementals). CRS could not obtain details on this spending.

⁸ Funds to train Iraqi security forces were funded in the State Department. For information on military construction in and in support of Iraq and Afghanistan, see memo by Amy Belasco, available from the author.

⁹ Funds appropriated at the end of FY2001 were mostly spent in FY2002.

¹⁰ DOD's rationale for considering modularity a war cost is that the new units will reduce stress on personnel; CRS therefore allocates those funds based on the relative shares of military personnel for OIF and OEF.

¹¹ For more information, see CRS Report RL31187, *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations*, by Amy Belasco and Larry Nowels; and CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict*, (continued...)

Table 3. Budget Authority for Iraq, Afghanistan, and Other Global War on Terror (GWOT) Operations: FY2001-FY2006 Supplemental

(CRS estimates in billions of budget authority)

By Operation and Funding Source	FY01& FY02 ^a	FY02	FY03	FY04	FY05	FY06 Bridge	FY06 Supp Conf.	FY06 Total w/ Supp	Cum. Total w/ FY06 Supp Conf.
OPERATION IRAQI FREEDOM (OIF)									
Department of Defense	2.5 ^b	0.0	48.0	57.7	85.1	41.9	54.9	96.8	290.1
Foreign Aid and Diplomatic Ops ^c	0.0	0.0	3.0	19.5	2.0	0.1	3.0	3.2	27.6
VA medical ^d	0	0	0	0	0.2	0.4	0.0	0.4	0.7
Total: Iraq	2.5	0.0	51.0	77.3	87.3	42.5	57.9	100.4	318.5
OPERATION ENDURING FREEDOM(OEF)/Afghanistan and GWOT									
Department of Defense	8.8	8.4	16.3	12.9	15.4	7.9	11.0	18.9	80.7
Foreign Aid and Diplomatic Ops ^c	0.3	0.5	0.7	2.2	2.8	0.9	0.1	1.0	7.5
VA Medical ^d	0	0	0	0	0	0.1	0.0	0.0	0.1
Total: OEF	9.1	9.0	17.0	15.1	18.1	8.9	11.1	19.9	88.3
Enhanced Security (Operation Noble Eagle)									
Department of Defense	7.0	5.0	6.5	3.7	2.1	1.9	0.0	1.9	26.2
Total: Enhanced Security^e	7.0	5.0	6.5	3.7	2.1	1.9	0.0	1.9	26.2
ALL MISSIONS									
Department of Defense	18.3	13.4	70.8	74.3	102.5	51.7	65.9	117.6	396.9
Foreign Operations ^c	0.3	0.5	3.7	21.7	4.8	1.1	3.1	4.2	35.2
VA Medical ^d	0	0	0	0	0.2	0.5	0.0	0.5	0.7
Total: All Missions	18.6	14.0	74.5	96.1	107.5	53.2	69.0	122.3	432.8

Notes and Sources: Numbers may not add due to rounding. DOD has not provided a breakdown by operation for its funding. CRS began with mission breaks in DOD's Defense Finance Accounting Service (DFAS) reports, "Supplemental & Cost of War Execution Reports," through September 2005 and then allocated over \$140 billion in unobligated or requested funds using DFAS shares by title in FY2005, information in DOD's request (e.g., security training), or other methods; see DOD's *FY2005 Supp. Request*, February 2005 and *FY2006 Supplemental Request*, February 2006; see [http://www.dod.mil/comptroller/defbudget/fy2006/fy2005_supp.pdf]. The current CRS estimate is higher than previous estimates because it includes the enacted version of the FY2006 bridge supplemental, \$1.5 billion in FY2005 DOD transfers, and the FY2006 bridge and FY2006 supplemental request. CRS splits the \$25 billion provided in the FY2005 Title IX bridge between the \$1.8 billion obligated in FY2004 and the remainder available for FY2005; all those funds are scored as FY2004 because they were available upon enactment in August 2005. Includes funds provided in P.L. 107-38, the first emergency supplemental after 9/11, and funds allocated in P.L. 107-117, the

¹¹ (...continued)

Afghanistan, Global War on Terrorism, and Homeland Security, by Amy Belasco and Larry Nowels.

FY2002 DOD appropriations. Foreign operations figures were prepared with the help of CRS analyst Larry Nowels from CRS Report RL31311, *Appropriations for FY2003: Foreign Operations, Export Financing, and Related Programs*; CRS Report RL32311, *Appropriations for FY2005: Foreign Operations, Export Financing, and Related Programs*, all by Larry Nowels and CRS Report RL32919, *Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2006 Appropriations* by Larry Nowels and Susan Epstein and CRS Report RL33420, *Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2007 Appropriations* by Larry Nowels, Connie Veillette, and Susan Epstein; CRS Report RL31406, *Supplemental Appropriations for FY2002: Combating Terrorism and Other Issues*; CRS Report RL32783, *FY2005 Supplemental Appropriations for Iraq and Afghanistan, Tsunami Relief, and Other Activities*, all by Amy Belasco and Larry Nowels. CRS built its appropriations estimates for OIF and OEF from obligations data reported in DOD, *Execution & Cost of War Execution Reports*, September 2003, September 2004, September 2005, estimating unobligated funds from previous obligations, and other methods and sources.

- a. CRS combined funds for FY2001 and FY2002 because most were obligated in FY2002 after the 9/11 attacks at the end of FY2001.
- b. Includes \$2.5 billion obligated for Iraq using funds prior to FY2003 according to a DOD table.
- c. Foreign operations figures include monies for reconstruction, development and humanitarian aid, embassy operations, counter narcotics, initial training of the Afghan and Iraqi army, foreign military sales credits, and Economic Support Funds.
- d. VA estimates of funds for medical care for veterans of Iraq and Afghanistan.
- e. Known as Operation Noble Eagle, these funds provide higher security at DOD bases, support combat air patrol, and rebuilt the Pentagon.

In FY2004, the cost of enhanced security almost halved again, dropping to \$3.7 billion. In FY2005, when funding for enhanced base security was included in DOD's regular rather than supplemental appropriations, the level dropped to about \$2 billion (See **Table 3**).

Foreign Operations Funding

Although DOD has received the bulk of funding for these operations since the 9/11 attacks, Iraq and Afghanistan have also received some \$32.1 billion for foreign aid and reconstruction programs as well as embassy construction and operations (see **Table 4**). Of that total, 77% is for Iraq and 23% for Afghanistan.

Iraq. *How much has been appropriated or requested for reconstruction, training of security forces, and embassy operations for Iraq?* In the case of Iraq, about 60% of the \$24.7 billion total is for reconstruction, about 13% for embassy construction and operations, and about 20% to train Iraq security forces. In FY2005, funds to train Iraqi and Afghan security forces were appropriated in DOD's budget.

The FY2006 supplemental includes an additional \$3.0 billion for Iraq – split between mission operations and reconstruction/stabilization assistance. (DOD would also receive includes an additional \$3.0 billion to train Iraq's security forces in FY2006.) For more information, see CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Katrina Hurricane Relief*, coordinated by Paul M. Irwin and Larry Nowels; see also CRS Report RL31833, *Iraq: Recent Developments in Reconstruction Assistance*, by Curt Tarnoff.

Afghanistan. *How much has been appropriated or requested for foreign aid, security forces training, and embassy operations for Afghanistan?* Of Afghanistan's \$7.4 billion total for foreign and embassy operations funding to date, about 40% is for reconstruction and 37% for other foreign aid programs, 17% to train Afghan security forces (now funded in DOD) and 5% for embassy operations.

The FY2006 supplemental includes an additional \$97 million for Afghanistan with about two-thirds for mission operations and one-third million for aid programs and debt cancellation. (An additional \$1.9 billion in DOD funds would be to train Afghan security forces.)

**Table 4. Foreign and Diplomatic Funds:
FY2001-FY2006 Bridge**

(in billions of dollars and as percent of total)

Activity	Iraq		Afghanistan	
	Funding	Percent of total	Funding	Percent of total
Reconstruction	\$15.9	64%	\$3.1	41%
Training Security Forces	\$5.0	20%	\$1.3	17%
New Embassies ^a	\$3.1	13%	\$.3	5%
Foreign Aid programs ^b	\$1.6	2%	\$2.8	37%
Total	\$24.7	100%	\$7.4	100%

Source: CRS reports summarizing public laws and Congressional reports.

Notes: Numbers may not add due to rounding. Includes funds appropriated in regular FY2006 bills but not the pending FY2006 supplemental request.

a. Includes funding for the Coalition Provisional Authority.

b. Foreign aid programs include Economic Support Fund, counter narcotics, anti-terrorism, law enforcement, disaster assistance, and other programs.

Training Security Forces. *How much has been provided or requested to train Afghan and Iraqi security forces?* Because funding to train security forces was shifted from the State Department to the Defense Department in FY2005, funds appropriated to both agencies need to be counted to get a complete picture. Taking all funds into account, funding dedicated to train and equip security forces is \$10.7 billion to date for Iraq, with another \$3.0 billion in the FY2006 supplemental conference bill. That would bring the total to \$13.7 billion.

According to GAO, funding to train and equip Afghanistan's military and police forces totals \$4.1 billion thus far including \$1.3 billion funded by DOD in FY2005. (Some of these funds are not captured in **Table 4** above.) The FY2006 supplemental conference bill includes an additional \$1.9 billion, which would bring the total to

\$6.0 billion.¹² Congress also permitted DOD to use a total of up to \$500 million to train either Iraq or Afghan security forces in the FY2006 bridge fund.¹³

DOD Spending Thus Far

While tracking budget authority for each operation and all agencies gives the most complete picture of costs, the measure most frequently cited by the Department of Defense in hearings or in statements to the press is the monthly cost of “military operations” or the “burn rate” either at a particular point in time or an average for several months or a year. Most recently, for example, DOD Comptroller Tina Jonas told reporters that the current average monthly “burn rate” for both Iraq and Afghanistan and other GWOT is \$6.8 billion.¹⁴

That figure covers the war-related costs of military personnel and operations and maintenance, which might be characterized as the *immediate* costs of ongoing military operations, but it excludes funds for military equipment; Research, Development, Test & Evaluation (RDT&E); and military construction intended to upgrade or replace equipment or facilities deemed necessary to conduct war operations. In FY2006, the “burn rate” captures only about 70% of DOD’s request.¹⁵

To be more complete, CRS has developed estimates for average monthly obligations that include both operations and investment costs (see **Table 5**). CRS bases these estimates on reports issued by the Defense Finance and Accounting Service (DFAS) that capture each fiscal year’s obligations — for pay and contractual costs — but which are funded using appropriations from various fiscal years.

Because it takes time to negotiate contracts, produce, and deliver military goods, or build military facilities, DOD’s procurement monies are available for three years, RDT&E for two years, and military construction funds for five years. Thus, procurement obligations in FY2005 may tap funds appropriated in FY2003, FY2004, and FY2005. Although obligations figures have the advantage of coming closest to answering the question “how much has been spent to date,” they have the disadvantage of not capturing funds appropriated by Congress but not yet obligated.¹⁶ Because DOD does not track outlays — the amount spent rather than contracted for — obligations are the closest measure of ongoing spending.

¹² See Table 1 in GAO-05-575, *Afghanistan Security: Efforts to Establish Army and Police Have Made Progress, but Future Plans Need to be Better Defined*, June 2005; [<http://www.gao.gov/new.items/d05575.pdf>]; see also CRS Report RL30588, *Afghanistan: Post-War Governance, Security, and U.S. Policy*, by Kenneth Katzman.

¹³ See Section 9006, Title IX, P.L. 109-148.

¹⁴ Federal News Service, “White House Conference Call with Deputy Director of the Office of Management and Budget Joel Kaplan and Undersecretary of Defense Comptroller Tina Jonas,” Feb. 16, 2006.

¹⁵ For example, military personnel, O&M, and working capital funds account for \$73.5 billion or 70% of the \$105 billion for DOD in FY2005.

¹⁶ Obligations also do not reflect outlays or actual monies spent, which DOD does not track.

The budget authority figures in **Table 1** and **Table 3** may provide the most complete answer to the question “What is the cost to date?” For monthly averages based on these appropriations, budget authority can be divided by 12. (See, for example, **Table 6** in CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Katrina Hurricane Relief* coordinated, by Paul M. Irwin and Larry Nowels.)

Table 5. DOD's Obligations by Operation: FY2001-March 2006
(in billions of dollars)

Mission and type of spending	Average monthly obligations ^a					Cum. DFAS Obligations, FY2002 thru March FY2006
	FY2003	FY2004	FY2005: DFAS reported	FY2005 Adjusted estimate ^b	FY2006 Estimate ^b	
Operation Iraqi Freedom						
Operations ^c	4.3	4.4	4.6	4.8	6.0	NA
Investment ^d	0.1	0.6	1.5	1.6	1.9	NA
Total	4.4	5.0	6.1	6.4	8.0	219.4
Afghanistan and the Global War on Terror ^e						
Operations ^c	1.3	1.1	1.1	1.2	1.5	NA
Investment ^d	0.0	0.0	0.0	0.1	0.0	NA
Total	1.3	1.1	1.1	1.3	1.5	58.3
Enhanced security and other ^f						
Operations ^c	0.5	0.3	0.2	0.2	0.2	NA
Investment ^d	0.0	0.0	0.0	0.0	0.0	NA
Total	0.5	0.3	0.2	0.2	0.2	24.5
All missions						
Operations ^c	6.1	5.8	5.9	6.2	7.7	NA
Investment ^d	0.2	0.6	1.5	1.7	2.0	NA
Total	6.3	6.4	7.4	7.9	9.7	302.2

Note: NA = Not available. Numbers may not add due to rounding.

- CRS calculations based on obligations during each fiscal year from all available funds as reported by the Defense Finance Accounting Service plus CRS estimates for intelligence; updated for FY2006 supplemental conference bill (H.R. 4939).
- Adjusted CRS estimate for FY2005 includes other funding that DFAS did not capture: \$1.8 billion in military personnel, \$1.6 billion obligated for Afghan and Iraq security Forces Training, and about \$4 billion in modularity funds. For FY2006, CRS estimated obligations assuming all military personnel, O&M, and intelligence funds are obligated (since the funds are only available for one year) and that investment funds for procurement, RDT&E, and military construction obligate at rates experienced in FY2005.
- Includes funds appropriated for military personnel, operation and maintenance, working capital, and defense health.
- Includes funds appropriated for procurement, RDT&E, and military construction.
- Operation Enduring Freedom funds Afghanistan and other global war on terror (GWOT) activities.
- 'Enhanced security and other' includes additional security at defense bases, combat air patrol around U.S. cities, and reconstruction of the Pentagon after the 9/11 attacks.

The monthly averages for OIF and OEF in **Table 5** are useful ways to mirror current spending rates for FY2003, FY2004, FY2005, and FY2006, particularly operational costs which are largely spent in the first year.¹⁷ For investment, however, average monthly obligations tend to lag budget authority.

Total Obligations to Date. What was DOD spending or obligating for each operation in each year between FY2002 and March 2006 DOD obligated about \$312 billion for all three missions including:

- \$219 billion for Iraq;
- \$68 billion for Afghanistan and other GWOT; and
- \$25 billion for enhanced security (see **Table 5**).

Based on DFAS figures in **Table 5**, average monthly reported spending for all three missions rose by about 17% from about \$6.3 billion in FY2003 to about \$7.4 billion in FY2005. Because DFAS obligations for FY2005 do not appear to have captured about \$7 billion in appropriated funds, CRS did an alternate estimate for FY2005 including these monies. With these funds, CRS estimates that FY2005 obligations would be closer to \$8 billion rather than \$7.4 billion reported, almost 25% increase higher than the level two years earlier.

Including the FY2006 supplemental, average monthly obligations for all operations may be about 50% higher compared to three years ago.¹⁸ Although some of the increase in average monthly cost is attributable to rising operational costs, the most dramatic increase is for investment costs in Iraq.

Monthly Average Costs for Iraq, OEF, and Enhanced Security. *What is the average monthly cost for each operation and how have these changed over time?* By FY2006, average monthly costs for Iraq may reach \$8 billion per month, over 80% higher than in FY2003, with about three-quarters dedicated to operational costs and one-quarter to investment.

Average monthly obligations for Afghanistan and other GWOT operations initially hovered around \$1.1 billion in FY2004 and FY2005. That rate could rise to \$1.5 billion in FY2006 with the addition of funds to train Afghan security and police forces and part of the funds to equip new Army and Marine Corps units.¹⁹

The monthly average for enhanced security (Operation Noble Eagle) has fallen substantially from \$520 million per month in FY2003 to an estimated \$180 million in FY2006 as one-time costs ended and could fall further.

¹⁷ Operational costs also include working capital funds, defense health, and counterdrug monies.

¹⁸ CRS calculated the average cost for Iraq in FY2003 assuming 10 months of operations based on when forces began to deploy. For FY2006, CRS estimated how quickly funds would obligate based on DFAS data for FY2005 and judgments. CRS did not include FY2002 obligations because the data is unreliable and because Iraq costs were small.

¹⁹ Since forces are deployed for both OIF and OEF, CRS splits the costs based on the roughly 75%, 25% split in DFAS obligations for military personnel.

Change Since FY2003 for Each Operation. In summary, based on CRS estimates, monthly average costs — including both military operations and investment spending — will change between FY2003 and FY2006 as follows:

- Iraq costs will grow by 80% from \$4.4 billion to \$8.0 billion;
- OEF costs will grow by 20% from \$1.3 billion to \$1.5 billion;
- Enhanced security costs will fall by 70% from \$500 million to below \$200 million;
- Overall Iraq and GWOT costs will grow by about 50% from \$6.3 billion to \$9.5 billion.

Potential Oversight Issues for Congress

Based on difficulties in capturing war costs by operation and recent cost trends, there are several potential oversight issues that Congress may want to pursue:

- How might repairing and replacing war-worn equipment earlier than anticipated affect DOD's regular or baseline budget?
- Are some types of war costs more controllable because they are affected by policy as well as operational needs?
- How have deployed troop levels changed for OIF and OEF since the 9/11 attacks and how might Congress get accurate information on past and future levels?
- How could past trends be used to help predict war costs?
- How might Congress get better information on DOD war costs in order to evaluate better its requests for additional funds?

Effects on DOD's Regular Budget of Replacing Worn Equipment

Recently, concern has grown among many in Congress, the Administration, and DOD about the size of the bill to repair and replace equipment worn down by war operations, that is, the “reset” issue. Reset is defined as the “process of bringing a unit back to full readiness once it has been rotated out of a combat operation,” by repairing and replacing equipment and resting and retraining troops.²⁰ As equipment is stressed by war operations, the cost to repair that equipment — also called reconstitution or depot maintenance — is anticipated to grow. To the extent that equipment cannot be repaired (the ‘washout’ rate), it may be replaced with the same version or a rebuilt or upgraded version, sometimes referred to as “recapitalization.”

Much of this equipment may have been slated for repair or replacement at a later date but because of the stress of war operations, it may need to be replaced now. To

²⁰ Office of the Secretary of Defense, Report to Congress, *Ground Force Equipment Repair, Replacement, and Recapitalization Requirements Resulting from Sustained Combat Operations*, April 2005, p. 8; see also GAO-06-604T, *Defense Logistics: Preliminary Observations on Equipment Reset Challenges and Issues for the Army and Marine Corps*, p. 3.

the extent that war operations results in earlier repair and replacement of equipment, DOD's baseline budget may be able to be reduced.

There is an ongoing debate about the anticipated cost of reset for the Army and Marine Corps, the services most heavily involved in OIF and OEF. The amount needed for new equipment depends on not only how quickly equipment wears out or is damaged beyond repair but also DOD's decisions about whether and how quickly particular equipment needs be upgraded. The effect of this earlier replacement on DOD's baseline budget is also an open question that Congress may want to address. Another factor in estimating future equipment needs is what equipment may ultimately be left behind for Iraqi or Afghan forces when U.S. forces withdraw.

CBO and Service Estimates of Reset Costs. *How large is the likely reset bill and how might that affect DOD's baseline budget?* Last year, in March 2005, CBO estimated that the backlog of maintenance and replacement costs for war-worn equipment was about \$13 billion, about the same as the services' estimates at that time, and that annual repair and replacement costs would run about \$8 billion a year based on the current pace of operations.²¹ These CBO estimates, however, do not reflect substantial procurement funding received by DOD in the FY2005 Supplemental, the FY2006 bridge fund, DOD's baseline or regular budgets, or requested in the FY2006 supplemental. The House Appropriations Committee, for example, estimated that about \$8 billion in the FY2006 bridge fund was for replacing worn equipment.²²

In its most recent alternative funding path for GWOT, CBO estimates that about \$60 billion would be needed through FY2016 assuming a gradual drawdown in deployed forces from about 258,000 in FY2006 to a steady state of 73,000 in FY2010. This estimate does not include the \$24 billion in procurement funds appropriated or requested in FY2006, much of which is probably for reset.²³

Neither DOD nor other Administration sources have publicly endorsed reset requirements for any of the services. The Army's current position on the size and scope of its reset requirement is unclear. In testimony in mid-February, 2006, Army Chief of Staff Schoomaker and Army Secretary Harvey cautioned against accepting a recent \$36 billion in-house estimate for reset, the Army Equipment Plan, that is predicated on a drawdown of forces between FY2006 and FY2008. This estimate

²¹ CBO Testimony by Douglas Holtz-Eakin, Director, "The Potential Costs Resulting from Increased Usage of Military Equipment in Ongoing Operations," before the Subcommittee on Readiness, House Armed Services Committee Apr. 6, 2005, p. 2

²² House Appropriations Committee, Press release, "Conferees Approve Defense-Disaster Assistance-Avian Flu Preparedness Package," Dec. 18, 2005.

²³ CBO, *An Alternative Budget Path Assuming a Reduction in Spending for Military Operations in Iraq and Afghanistan and in support of the Global War on Terrorism*, Feb. 24, 2006; contact with CBO staff.